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MANAGEMENT AUDIT REPORT
of the
BUREAU OF ASSESSMENTS
Department of Public Works

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by

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September, 1975

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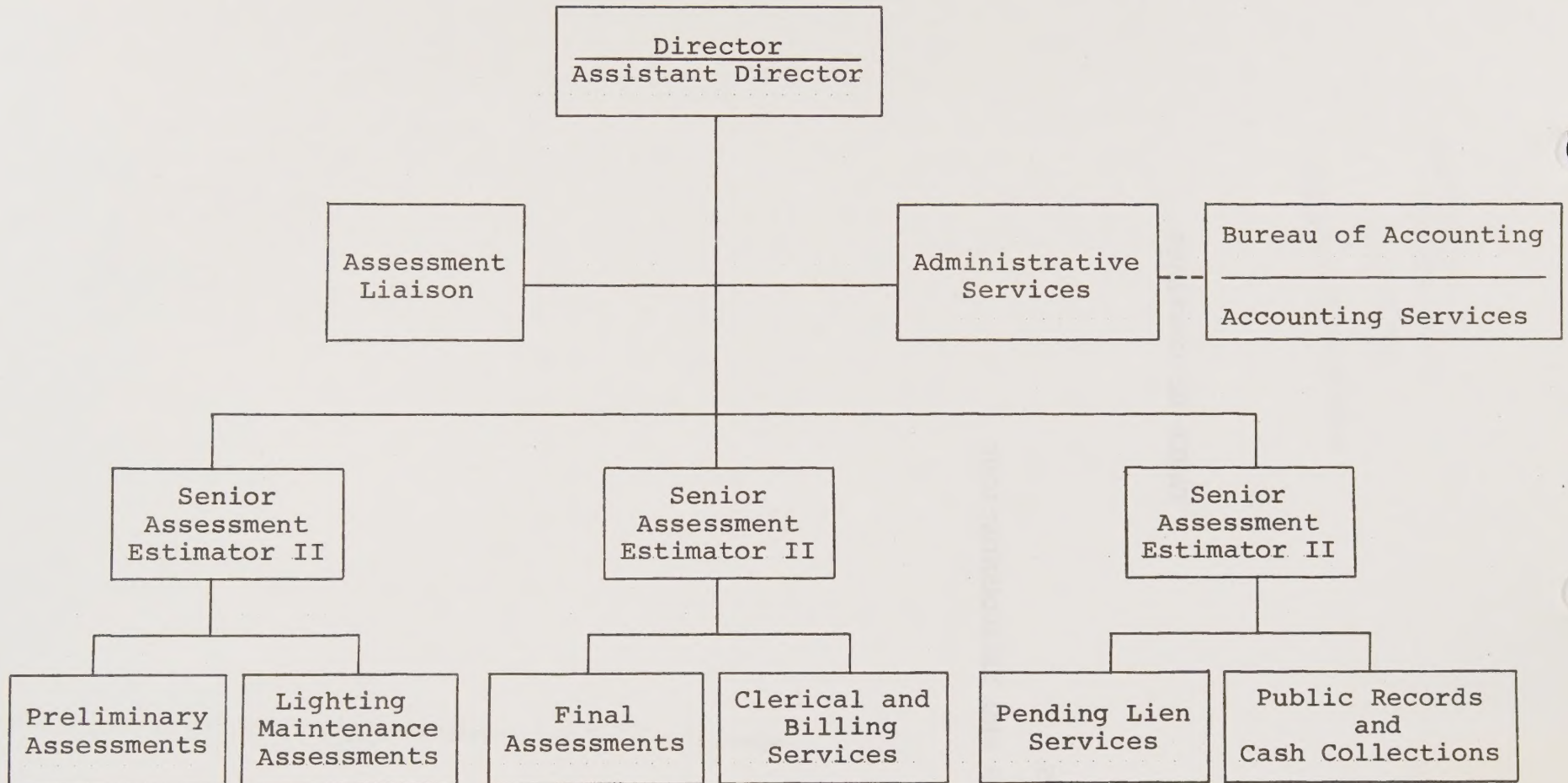
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BUREAU OF ASSESSMENTS
1975-76



COMMENTS

The Bureau of Assessments was created by ordinance in 1906 as a part of the Department of Public Works. The legal authority which governs the activities of the Bureau is contained in the California Streets and Highway Code, the City Charter, and the City's Municipal and Administrative Codes.

The Bureau is headed by a Director appointed by the Board of Public Works subject to the Civil Service provisions of the City Charter. The Bureau is organized in accordance with the accompanying organizational diagram.

The 1975-76 Budget provides authority for 26 full-time personnel and \$369,740 for the direct cost of operating the Bureau. In addition, the Bureau has been budgeted \$75,000 to pay the cost of improvements assessed against public property.

The Bureau's objective as stated in the Detail of Department Programs for the 1975-76 Budget is "To spread the cost of public improvements financed through special assessment proceedings in an equitable manner."

The work of the Bureau can be categorized into three general areas: (1) Spreading the cost of special assessments in accordance with State and local laws and ordinances, (2) Billing and collecting cash payments for these and other assessments ordered by the City Council, and (3) Providing information on pending assessment liens as part of the City's "Truth in Real Estate" program.

During a recent one-year period, 75 projects representing 9,243 individual parcels were confirmed by the Council. The total cost of these projects was \$7,940,296, consisting of contract costs of \$6,312,234 and incidental costs of \$1,628,062, including the cost of right-of-way acquisition, if any. The assessable cost of these 75 projects was \$4,380,723 or 55 percent of the total cost. The City financed 45 percent or \$3,559,573 of the total cost.

This is the third management audit of the Bureau of Assessments. Our review of its operations, policies, and procedures indicates that the Bureau is performing its functions with a high degree of efficiency. The personnel are well trained, highly motivated, and conscientious. The management of the Bureau has taken

the initiative to expedite and improve the quality of the Bureau's output.

The Bureau's Affirmative Action Program dated June 30, 1973, was reviewed. Based upon conditions existing at that time and low employee turnover, the goals appear to be realistic. However, recent budget reductions and changes in the occupational categories of assessment estimator positions requires that the existing plan be updated. Recent appointments in the Bureau have strengthened minority representation.

The liaison Commissioner and the Bureau Director have reviewed this report and concur in its recommendations.

Our inquiries into assessment act procedures led us to expand our area of investigation to include the Assessment Section of the Bureau of Engineering's Coordinating Division, the Street Bond Division of the Treasurer's Office, the Land Records Division of the City Clerk's Office, and the Street Use Inspection Division of the Bureau of Street Maintenance.

The Board of Public Works recently established a task force to evaluate the need for consolidating the responsibility and accountability for all non-design functions of assessment act projects performed in the Public Works Department. The task force is also to determine which bureau could best furnish the public one source of information for all assessment proceedings. Our findings support the premise that the non-design functions of assessment act projects should be consolidated in a single organizational entity within the Department of Public Works. Such an arrangement would facilitate the coordination and accomplishment of many complex facets of assessment activity.

FINDINGS AND RECOMMENDATIONS

1. A primary responsibility of the Bureau is to spread the costs of improvements "in proportion to the estimated benefits to be received." This often takes a great deal of discretion on the part of the individual assessment estimators. The larger and more complex the project, the greater the difficulty.

The Bureau has developed norms or standard criteria to relieve some of the discretionary burden and provide some degree of equity between properties. These "norms" primarily establish the typical lot size including width and depth on which the assessment is based. Lots smaller than the norm are discounted as to benefit received. The parts of lots larger than the norm are disregarded.

This concept as it pertains to lots of normal depth was recently challenged in Superior Court (John F. Costello, et al, vs. the City of Los Angeles, etc.). The Court ruled against the City finding "that the assessment methods used by the defendant were arbitrary, unfair, and in abuse of the discretion permitted to defendant by statute." In essence, the situation was that the Bureau had established 135 feet as the "normal depth" of lots fronting a local street improvement, although 75 percent of the lots exceeded the "norm" by 190 feet to 401 feet. Lots deeper than 135 feet were assessed no more than those of "normal depth."

It is recommended that the Director Bureau of Assessments re-evaluate the criteria for establishing assessments to insure that they are in accordance with benefits to be received and report the findings to the Board of Public Works.

2. The coupon rate for assessment bonds was recently increased by the Council from 5 to 6 percent for projects initiated by ordinance effective June, 1974, and thereafter. The yields on tax free municipal bonds average in excess of the coupon rate permitted for assessment bonds. This results in a bond discount. The resulting increased project cost is allocated to all property in the assessment district whether or not the owners participate in bond financing.

The City frequently purchases assessment bonds at the currently established rate with no discount. If this rate does not reflect current yields in the bond market, the owners of property in the

assessment districts for which the City purchases bonds receive a subsidy.

Bond yields have fluctuated greatly in recent years making it difficult to fix an appropriate coupon rate for an extended period. The maximum interest rate allowable under the 1911 Assessment Act was increased by the State legislature to 8 percent effective September 6, 1974.

It is recommended that the Board of Public Works, with the assistance of the City Administrative Officer, the City Attorney, and the Treasurer, study the possibility of permitting assessment bond coupon rates to vary with bond market yields as reflected by an agreed upon index of these conditions.

3. Many assessment act projects are abandoned after final engineering plans are completed. Fifty-four such projects have been abandoned since January 1, 1971, with a total estimated cost of \$6,089,207. Considerable engineering design and other administrative efforts were lost. Most abandonments have been attributed to the high costs that the benefitting property owners were being asked to bear. A report by the Bureau of Assessments to the Council on the ability and willingness of benefitting property owners to financially support proposed improvements prior to authorizing the preparation of final plans should substantially reduce the number of projects that are abandoned and result in considerable savings to the City.

It is recommended that the Board of Public Works recommend to the City Council that it require a financial feasibility study to be submitted by the Bureau of Assessments on proposed assessment act projects prior to authorizing final project design.

4. Council policy limits the incidental charges that can be assessed to benefitting property owners to 20 percent of assessable construction costs plus the costs of right-of-way acquisition, if any. Had all the incidental costs applicable to the assessable portion of improvement projects been assessed during a recent one-year period, the City would have recovered an additional \$980,000. The City recovered incidental costs of only \$298,379 during this period, not including right-of-way acquisition costs of \$321,073 which are also considered incidentals. Property owners in large assessment act projects with a smaller percentage of incidental costs such as street lighting projects, pay a greater portion of the incidental costs than do the property owners in other types of projects.

It is recommended that the Board of Public Works, in cooperation with the City Administrative Officer, develop an equitable plan for consideration by the Council to recover a greater proportion of incidental costs incurred on assessment projects.

5. The Treasurer indicates that the cost for servicing each assessment bond over a ten year life is \$40. The total bond service charge for each assessment district, based upon an estimate that 60 percent of the parcels will participate in bond financing, is allocated to the owners of all parcels in the district. These costs are prorated on the basis of the amount of the assessment even though the costs of processing bonds do not vary with the amount. The Treasurer's service charge has not changed in many years.

It is recommended that the Board of Public Works, with the assistance of the City Attorney and the Treasurer, determine a more equitable method of assessing the Treasurer's bond service costs.

6. The present fee of \$5/parcel plus \$150/project for providing assessment services does not represent the full costs incurred by the Bureau. Approximately 50 percent of effort of the Bureau is expended in spreading the costs of assessment act projects, and billing and collecting payments during the 30-day cash collection period. Based on the estimated expenditures during 1974-75 and taking into consideration the number of projects confirmed by the City Council during that period, a fee of \$20/parcel and \$150/project would be necessary to recover all costs.

It is recommended that the Director Bureau of Assessments revise the fees for assessment services to more accurately reflect the costs incurred by the Bureau.

7. The City Council recently directed that public sidewalk repairs would be financed by the City rather than by abutting property owners. There are approximately 2,000 outstanding assessments for previous work that are being paid by property owners on a five-year installment basis as approved by the City Council.

The Bureau of Assessments provides billing information to the Data Service Bureau which then prints the bills. The most recent printing resulted in 1,000 erroneous bills. This procedure requires extensive verification by the Bureau of Assessments. Much time and expense could be saved if the Bureau of Assessments did this billing manually. All remaining billings will be completed within the next three years. Bureau management

indicated it could perform this function without additional personnel.

It is recommended that the Director Bureau of Assessments request the Data Service Bureau to discontinue providing bills for Chapter 22 Assessment Act projects.

8. There are three levels in the Assessment Estimator series: Assessment Estimator and Senior Estimator I and II. Assessment Estimator and Senior Estimator I duties include different levels of responsibility in spreading estimates. Senior Estimator II is a supervisory level. The duties of Assessment Estimator and Senior Estimator I are more closely related than Senior Estimator I and II.

It is recommended that the Director Bureau of Assessments request the Personnel Department and the City Administrative Officer to adjust the classes and pay grades in the Assessment Estimator series as follows:

Present

Proposed

Assessment Estimator
Senior Assessment Estimator I
Senior Assessment Estimator II

Assessment Estimator I
Assessment Estimator II
Senior Assessment Estimator

9. There is no avenue of career development within the Bureau of Assessments to provide a source of future Assessment Estimators. Spreading the costs of public improvements equitably among benefitting property owners is a function unique to the Bureau of Assessments. Two positions classified as Senior Clerk Typist have been spreading street lighting maintenance district assessments for a number of years. Incumbents in clerical positions would not normally meet the bulletin requirements for Assessment Estimator. The Personnel Department has recently established paraprofessional classes such as Personnel Aide, Planning Aide, and Administrative Aide to provide an opportunity for experienced personnel in the clerical series to bridge the gap to more technical careers.

It is recommended that the Director Bureau of Assessments request the Personnel Department and the City Administrative Officer to review the duties and requirements of the Assessment Estimator series of classes and consider allocating the two clerical positions now performing assessment functions to a class of Assessment Estimating Aide.

10. The status of 26 improvement projects which were ordered by the City Council to be completed by the Bureau of Street Maintenance under Chapter 27 Assessment Act procedures between September 26, 1966 and November 15, 1974, is not known. No assessment billings can be made by the Bureau of Assessments until verification of the project completion and costs is provided by the Bureau of Street Maintenance.

This matter has been discussed with the Director Bureau of Street Maintenance and he has indicated that he will determine the current status of all pending Chapter 27 improvement projects, complete remaining projects, and submit costs of completed projects to the Board of Public Works and City Council for confirmation and subsequent collection.



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